

MINISTRY HEALTH CARE

Testimony submitted for information only to the
Senate Committee on Health, Human Services, Insurance and Job Creation

February 27, 2008

Senate Bill 490

Creating an assessment on hospitals; paying down the raid on the Injured
Patients and Compensation Fund

Thank you, Committee members, for allowing us to submit testimony on SB 490. We are
delighted to provide testimony for the purpose of information.

First, we would like to thank State Senator Roger Breske for introducing SB 490 after
months of careful consideration and research.

We are a physician (Dr. Christopher Koepl) and a physician recruiter (Claudine Taub,
RN) employed by Ministry Health Care. We are especially appreciative of Senator
Breske's efforts on the legislation, because he represents the entire Northern Region of
Ministry Health Care. Ministry Health Care is a large, integrated health system that
includes hospitals, clinics and affiliated health services such as home care, kidney care, a
Medicaid dental clinic, and more.

In the 2007-09 state budget, an assessment on hospitals for the purposes of increasing
Medicaid payments was seriously considered. It has been 12 years since we have seen an
increase in Medicaid payments. However, that proposal was not adopted in the final
budget agreement. What the final budget did include was a stunning \$200 million raid
from the Injured Patients and Families Compensation Fund (IPFCF).

For us as a rural provider of health care, the raid on the IPFCF has harmed us in our
efforts to recruit (and likely, to retain) physicians. Rural providers have a harder time
recruiting and retaining physicians. This is a national fact, and Ministry Health Care is
no exception. We are continuously in the process of recruiting physicians. The IPFCF is
one tool that has been very helpful to us in our efforts to recruit physicians from other
states.

Presently, 20% of the U.S. population lives in rural areas, while only 11% of physicians
practice medicine in rural areas (source: AAMC). This leaves rural citizens with a
significant gap in access to physicians. The February 26, 2008 edition of *USA Today*
featured a front-page article on the shortage of general surgeons in rural areas.

(link to: http://www.usatoday.com/news/health/2008-02-26-doctor-shortage_N.htm).
Wisconsin is particularly disadvantaged because 48% of physicians prefer 6 states in

Possible improvements to the Hospital Assessment Bill, Senate Bill 490:

- Add a sunset to provide an opportunity to evaluate the program. Show skeptics that it works or make any needed improvements.
- The Rural Supplement should be paid from the Medicaid Trust Fund as this is an important program that is not currently should not in the future be contingent upon the tax.
- We appreciate that this bill includes a separate trust fund for the hospital assessment revenue. We would like to see strong language added that explicitly limits the purposes for which the revenue in the trust fund can be used and that any amounts not used for those specific purposes must returned to hospitals.
- We would like the payment methodology to be specified in the bill. As many know, the impact of the payment methodology is key to federal approval and whether it makes sense to support the assessment.
- It is important that the bill specify that the assessment is contingent upon the state maintaining its current commitment to hospitals as modified to reflect any expansions in the Medicaid program. This is particularly important if there is no sunset. Hospitals cannot be put in the position of paying for a portion of the Medicaid program or the IPFCF but not receiving the proposed rate increase.
- The current \$1.5 million general Medicaid program support (and any future amounts for general Medicaid support) should be paid into and out of the Medicaid Trust Fund and not spread throughout various programs in the statutes. It's cleaner and more understandable to the people who need to understand the bill.
- As was true in the Special Session bill, the \$1.5 million also should not reduce the amount available for hospital rate increases.
- We appreciate that SB 490 included the Special Session bill's report to the JFC in this bill. The purpose of the report is to make transparent to the legislature that the money flowed as intended. There might be technical changes to this language that could make sure that legislators have the information they need to evaluate the program.

which to practice medicine (California, Washington, Texas, Florida, North Carolina and Pennsylvania) (source: MHA Physician Response Data). Couple the fact that Wisconsin is not considered a "desirable state" for physician practice, with the fact that one third of Wisconsin is rural (source: USDA), and it becomes clear that Wisconsin is at a crossroads regarding its rural medical care.

What Wisconsin does offer during the physician recruitment process is the fact that it is one of 6 states recognized by the American Medical Association (AMA) as having a favorable malpractice climate. This favorable climate was due to two things: the IPFCF and the cap on noneconomic damages. Physician candidates are already asking us about the raid on the IPFCF and how it might affect them. Their questions are difficult for us to answer. It is also difficult to explain how a fund paid for by physicians and other high-risk providers could have been raided to balance a state budget.

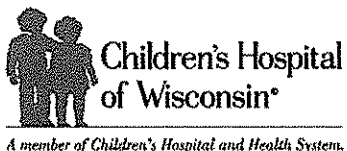
Senator Breske's plan to replace a significant amount of the raided funds could be helpful in restoring stability to the IPFCF, and will help us regain an important recruitment tool as we continue our efforts to bring the best physicians into Northern Wisconsin.

Thank you for considering a plan that could restore stability to the IPFCF while increasing Medicaid payments for the first time in a dozen years.

Respectfully submitted,

Christopher Koeppel, MD
Ministry Medical Group-Northern Region
Ministry Health Care

Claudine Taub, RN
Director, Provider Recruitment and Retention
Ministry Medical Group
Ministry Health Care



February 27, 2008

TO: Chairman Erpenbach and Members of the Senate Committee on Health, Human Services, Insurance, and Job Creation

FROM: Nick Turkal, MD, President and CEO, Aurora Health Care
Jon Vice, President and CEO, Children's Hospital and Health System of Wisconsin
Leo Brideau, President and CEO, Columbia St. Mary's Hospital and Clinics
Bill Petasnick, President and CEO, Froedtert Hospital and the Froedtert and Community Health System
John Oliverio, President and CEO, Wheaton Franciscan Healthcare

RE: SB490/Support for the Hospital Assessment-Medicaid Reform

HOSPITALS NEED MEANINGFUL MEDICAID REFORM

We offer this written testimony regarding SB490 relating to the hospital assessment. Collectively, our five health care systems serve 51.6 percent of all Medicaid patients in Wisconsin hospitals. For some of us, Medicaid equates to nearly 50% of our patient mix. Hospitals have not received a rate increase for Medicaid services in 12 years. Rates have not been adjusted to keep pace with inflation, and the gap between what it costs a hospital to treat a Medicaid patient and what a hospital is paid for those services continues to widen. For southeastern Wisconsin hospitals, the Medicaid shortfall in 2006 totaled approximately \$266.5 million.

We support the hospital assessment and encourage committee members to view its policy favorably. As you know, an assessment on hospitals was proposed by Governor Doyle in his FY 2007-9 budget as a way to improve Medicaid reimbursement rates for hospitals. This proposal followed the lead of 23 other states that maximized the federal funding available for Medicaid.

Unfortunately, the hospital assessment in Wisconsin was defeated in the budget process.

Opponents of the hospital assessment have wrongly labeled it a "tax" on the sick. It is no such thing. It is a reasonable way to leverage additional federal support for our most vulnerable patients and at the same time reduce the cost-shifting that has long been a chronic problem for Wisconsin's health care system and business community.

HOSPITAL ASSESSMENT BUSINESS IMPACT

The \$400 million in federal funding that was left on the table included significant resources to help support the “safety net” hospitals in the Milwaukee area that care for many people enrolled in Medicaid. Without meaningful Medicaid payment increases, these hospitals and the low-income patients they serve are at great risk.

The Wisconsin Hospital Association calculates that the Medicaid shortfall for Wisconsin hospitals totaled \$2.98 billion over the last 12 years. In 2006 alone, the shortfall for Milwaukee area hospitals totaled \$205 million. Most of that cost presumably was shifted to employers and consumers through higher insurance premiums – the so-called “hidden tax.” This enormous hidden tax continues to threaten the competitiveness of Wisconsin businesses and quality of life for commercial health care consumers.

We applaud the Governor, Senator Breske, and other lawmakers for continuing to forward this critical policy and urge you to take advantage of the same opportunity that 23 other states have seized by successfully implementing hospital assessment programs. Without this action in Wisconsin, a Medicaid reimbursement rate increase for hospitals is unlikely to occur in the foreseeable future. As a result, our Medicaid shortfall will continue to grow and health care costs for Wisconsin businesses will continue to rise.

Wisconsin deserves its fair share of federal funds. The hospital assessment is a tried and true Medicaid maximization opportunity that cannot be overlooked.

THE DA²CARE™

February 26, 2008

Dear Senators and Representatives,

I am writing you today to urge you to support the reconsideration and passage of the so-called hospital tax proposal.

Let me be clear. We at ThedaCare are in agreement with many of you and the members of the WHA Board that a hospital tax is hardly the idea public policy solution to gain much needed additional revenue for Medicaid payment improvements. But as we have pointed out since the beginning of this debate, merely killing the so-called hospital tax on principle alone, while failing to generate meaningful Medicaid payment improvements, is not a win for Wisconsin hospitals or for our patients. Here's why:

- ✓ Wisconsin hospitals have **not** received a GPR funded rate increase in Medicaid payments for more than 12 years. The current state of the economy makes raises doubts about any future increase.
- ✓ I have previously talked with you about our concerns that "cost-shifting" from Medicaid underpayments is a significant driver of rising health care costs in the Fox Valley and throughout the state. The bottom line here is that the tax will generate \$284 million dollars (net) of increased Medicaid payments over the next two years, representing a real opportunity to begin addressing this "hidden tax". According to the most recent data, two of our hospitals – Theda Clark Medical Center and Appleton Medical Center – for example, stand to gain \$2.1 million dollars or more in higher payments over the biennium. This is revenue that will ease pressure to shift costs to private payers.
- ✓ The hospital tax proposal today is significantly different than the original tax proposal that I strongly opposed. I am satisfied that the explicit "solutions" and safeguards in the proposal address our concerns with specific aspects of the tax proposal:
 1. Assuring that the \$284.2 million dollars (net) in increased Medicaid payments promised from the hospital tax over the next two years will actually flow to hospitals.
 2. Preventing the tax from being levied prior to the State of Wisconsin receiving necessary approval from the federal government to implement the payment plan and deliver promised levels of payment.
 3. Safeguarding the hospital tax and resulting new revenue stream from reduction or diversions for unrelated purposes.
 4. A two-year sunset provision assures the tax will be revisited if not functioning as promised.
- ✓ CMS as already approved the State Medicaid plan amendment designed to implement the new hospital payment system and rate methodology..

Thank you for allowing me to express my thoughts on this important matter. **I urge you to support this much-improved initiative**, and to share our thoughts with those of your colleagues who may still be skeptical.

I will be out of the office for the next two weeks, however, you may also contact John Gillespie of our Government Relations staff with any questions.

Sincerely,



John Toussaint, MD
President & CEO
ThedaCare™